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b. Depositors may exercise their right to purchase the Preferred Shares by notifying the Bank in writing of how many Preferred Shares they desire to purchase at a price of One Dollar (\$1.00) per share. In the event the Preferred Shares are oversubscribed, preference will be given to depositors who are first to notify the Bank of their decision to buy Preferred Shares. The opportunity for qualified depositors to purchase Preferred Shares shall remain open until the total value of the offering has been reached.

2. **Issuance of Preferred Shares:**

Certificates for Preferred Shares shall be issued reflecting a face value of one share per dollar. The amounts on deposit committed to the purchase of the Preferred Shares shall then become subordinated, and segregated in a special account, pursuant to the terms of this Plan.

**Example 1:** Depositor has a deposit with the Bank of \$60,000. Depositor elects by giving a written letter to the Bank to purchase \$50,000 of Preferred Shares. The Board issues 50,000 Preferred Share certificates to Depositor, places \$50,000 of Depositor's original deposit in a special subordinated deposits account, and the \$10,000 that remains is not treated any differently than before depositor elected to purchase the Preferred Shares.

3. **Dividends:**

Preferred Shares shall be entitled to, and given priority over common shares, in the payment of any dividends.

4. **Conversion of Preferred Shares:**

Preferred Shares shall be converted to deposits, as follows:

a. **Strike Date** – On the second anniversary of the issuance of the Preferred Shares ("Strike Date"), unless an earlier date is set by the Bank, all Preferred Shares shall be subject to conversion into either (1) restricted demand deposits; or (2) preferred deposits. The holders of the Preferred Shares shall serve on the Bank a written notice of election stating how their Preferred Shares shall be converted and in what amounts by a date after the Strike Date to be set by the Bank. Preferred Shares held by a single holder may convert into more than a single form if the holder desires to divide their Preferred Shares between different final forms.

b. **Conversion Into Restricted Deposits** – On the Strike Date, the holders may elect to convert some or all of their Preferred Shares to restricted deposits. The

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Preferred Shares shall convert at a five percent (5%) premium above the original purchase price (each share that cost \$1.00 shall convert to a \$1.05 deposit).

1. Once converted, the Preferred Shares shall cease to exist and the subordinated deposits associated with them shall begin to earn the then prevailing passbook rate of interest until withdrawn. The deposits created from the conversion of Preferred Shares shall once created be treated as normal deposits except for the restrictions on their withdrawal as provided for herein.
2. The restricted deposits that remain after the conversion of Preferred Shares may be withdrawn at a rate of ten percent (10%) per month after the deposits are created. The Board of Directors may reduce or eliminate this withdrawal restriction if the Bank is in a financial position to allow for their withdrawal without restriction.

c. Conversion to Preferred Deposits – On the Strike Date, the holders of Preferred Shares may also be converted to “Preferred Deposits” that shall be given priority in any liquidation plan over all other forms of deposit, and ahead of all other depositors except for new depositors who deposited money with the Bank after the adoption of the Plan. Preferred Shares shall convert at a rate of one share to one dollar (\$1.00) Preferred Deposit. The withdrawal availability of the Preferred Deposits once created shall be immediate, unless otherwise restricted by a court of competent jurisdiction. As between holders of Preferred Deposits, each Preferred Depositor may withdraw its proportional share to the other Preferred Depositors in the event of a liquidation of the Bank prevents all Preferred Depositors from withdrawing their full deposits immediately.

**Example 3:** Depositor elects to convert his remaining 20,000 shares one half into a restricted deposit and one half into a Preferred Deposit. For 10,000 shares of Preferred Stock, Depositor receives a restricted deposit of \$10,500 that he may withdraw at a rate of 10% per month. For his remaining 10,000 Preferred Shares, Depositor receives a preferred deposit of \$10,000 that he may immediately withdraw.

Converted Capital holders' exit strategies could be:

- Sale of their Converted Capital to an investor group after the Bank is successfully reorganized;
- A secondary stock offering;
- Future dividends from a successfully reorganized Bank.

**EE. Earnings Projections**

Substantial expense curtailments are being implemented by the Receiver. Each bank location and department is being rigorously analyzed. It is anticipated that substantial annualized savings will be achieved through cost containment measures, the introduction of new products and services and the substantial reductions in the Bank's non-performing assets, that profitable pretax earnings levels are realistically achievable.

The conversion of customer deposits as well as some (if permitted) autonomous agency deposits to capital would improve the reorganized Bank's interest expense and positively impact its earnings.

As of November 30, 2002, the rate being paid on savings and time deposits at the **Bank of Saipan** was materially higher than the market. It has been proposed that those rates be sharply reduced. It is anticipated that the Bank will pay a premium on deposits to reward existing customers and to attract new depositors. Premium payment options include a higher than market rate, a % of loan recoveries, consumer goods and other product giveaways.

**FF. Investment Securities**

The Bank's portfolio of investment securities has historically been comprised primarily of U.S. Treasury and Agency securities.

As of November 30, 2002 the Bank's investments totaled \$5.7 million.

**GG. Deposits**

The Bank's deposit mix shrunk materially from during the period January - March, 2002 preceding the establishment of the Receivership as well as following the establishment of the Receivership and a period of partial deposit withdrawal. This can be illustrated by the following table:

Amount of Deposits (in millions)

Type of Deposit	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Demand	\$9.7	\$8.6	\$6.6	\$5.8	\$4.7	\$4.4	\$4.4	\$4.3	\$4.3	\$4.3	\$4.3
Savings	11.4	11.1	10.7	9.5	7.9	7.8	7.7	7.7	7.7	7.7	7.7
TCDs	24.5	26.6	24.7	25.4	25.4	25.3	25.2	25.2	25.3	25.3	25.3
Total of Deposit	<u>45.6</u>	<u>46.3</u>	<u>42.0</u>	<u>40.7</u>	<u>38.0</u>	<u>37.5</u>	<u>37.3</u>	<u>37.2</u>	<u>37.3</u>	<u>37.3</u>	<u>37.3</u>

The Bank historically has paid competitive market rates for its deposits. Rates as previously expressed in this Business Plan will be reduced from current above-market levels, but will reflect a

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premium that will relate to the type and length of the post Receivership deposit as described previously in Section FF, above.

The conversion of certain consumer and autonomous agency deposits to capital would improve the reorganized Bank's interest expense and positively impact its earnings.

#### **HH. Asset/Liability Management**

As is typical in the banking industry, most of the Bank's assets and liabilities are sensitive to fluctuations in interest rates. Accordingly, an essential objective of asset/liability management is to control interest rate risk.

One way to measure the impact that future changes interest rates will have on net interest income is through a cumulative gap measure. The gap represents the net position of assets and liabilities subject to re-pricing in specified time periods.

In order to preserve liquidity, existing deposit withdrawals will be limited as follows:

- DDA - 10% per month for 10 months
- Savings and Time Deposits - 5% per month for 20 months

There will be no restrictions on new deposits.

The restrictions will be periodically reviewed by the Board.

It is anticipated that during the first 12 months of reorganization approximately \$3 million in loans will be sold to other participants to augment the Bank's liquidity. The actions are necessary so that the Bank will be able to have sufficient funds on hand to meet its requirements. The loans selected for sale will be identified because of their size relative to the Bank's total capital structure and the Bank's targeted objective of diversifying its loan risk and loans to one borrower concentrations. Possible loan purchasers include other financial institutions such as banks and investment firms as well as private investor groups. It is anticipated that the Bank will continue to retain servicing rights and may, based upon the structure of the transaction, an interest rate over-ride and servicing fee.

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The following chart describes the Bank's current and projected liquidity position as of November 30, 2002 and the anticipated date of re-opening (in millions):

November 30, 2002		\$11
Additions:		
New cash capital	\$2	
Loan sales/participations*		
New deposits	<u>2</u>	
		4
Est. Re-opening Liquidity		<u>\$15*</u>

It is important for deposit restrictions to remain in place for a reasonable period to preserve liquidity. This is intended to provide for a period of stabilization during which public and depositor confidence will be able to be re-established and to avoid a "run on the bank". It is anticipated that once public confidence is re-established that depositors will leave their funds on deposit and that the Bank will be able to return to pre-Receivership, non-restricted operation.

## II. Bank License

The Bank currently holds a Retail Banking Business License ("license") as required by 4 CMC §§ 6221(a) and 6231(a). The Bank's existing annual license was reissued on February 7, 2002 and expires February 7, 2003. The Bank submitted an application for renewal of that license on December 4, 2002. Pursuant to 1 CMC § 9111 (a), when a license applicant makes a timely and sufficient application to conduct an activity of a continuing nature, the applicant's existing license does not expire until the application has been finally determined by the agency or, in the event of a non-renewal, by the last date for seeking administrative review or such later date fixed by order of the reviewing court. As part of the Plan, the Commonwealth Superior Court shall order the continuity of the license during the rehabilitation period.

## PART III

### MARKETING PLAN

Bank of Saipan's marketing strategy is to serve the specialized financial service needs of consumers, small business owners and professionals by establishing a complete one-to-one relationship.

The overall marketing plan for the **Bank of Saipan** is based on the following fundamentals:

- It is in the financial services market
- Consumers need access to financial products and services
- Small business customers want quality financial products and service
- The **Bank of Saipan's** customers will come from other banks that have failed to establish one-to-one relationships

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- The Bank of Saipan's staff are local banking professionals possessing appropriate experience and skills with parallel products and services

**A. Sales Strategy**

Through market research, small to medium size businesses with revenues ranging from \$50,000 to in excess of \$1 million, selected law firms, accounting firms, doctors and other professionals in Saipan will be identified.

The initial sales effort will concentrate on consumers, businesses and professionals that are known to the **Bank of Saipan** officers and directors. Bank personnel who will be trained to be responsible for the ongoing customer relationships will make the sales calling effort. The business development responsibilities will be to not only generate new customers, but also to sell more services to existing customers.

Targeted mailings will be made to the **Bank of Saipan's** market segment and will be followed up by phone calls and site visits. Highest priority in the cold calling activity will be directed to existing loan and deposit customers and then to customers of other independent banks that are involved in merger and acquisition integration.

Additionally, the **Bank of Saipan** will conduct or co-sponsor seminars on topics relevant to the target groups in order to generate additional prospects.

The **Bank of Saipan** will also seek to obtain new business by actively seeking referrals from attorneys and CPAs, especially the professionals that it maintains as customers. Additionally, the Bank will seek referrals from its advisory board and small business customer base. The Bank will encourage customers to provide direct referrals and also will host entertainment events, such as performing arts happenings, preceded by receptions attended by satisfied customers and prospects.

The **Bank of Saipan's** employees will be expected to be involved in service clubs and other community groups as part of the Bank's effort to ascertain the needs of its customers as well as to contribute to the community. It is anticipated that this will promote good will and also result in new bank product and service prospects.

**B. Positioning**

The **Bank of Saipan** products and services will be tailored to its customers' needs. **Bank of Saipan's** customers will be encouraged to perceive their relationship with the **Bank of Saipan** as a partnership, with the Bank as an advisor helping manage their businesses and addressing their personal financial needs.

The **Bank of Saipan's** service objective is intended to be perceived by the customer to be of the friendliest and highest quality one-to-one relationship.

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The **Bank of Saipan's** unique advantages of small size can be exploited to arrive at a winning position in the customer's mind.

C. Pricing

The prices for the **Bank of Saipan's** products and services will be competitive but also reflect the quality delivered.

The **Bank of Saipan's** prime rate or reference rate, to which a large portion of its loans will be indexed, will be in line with most of the banks within the Bank Service Area. By establishing a quality relationship with its customers, the **Bank of Saipan** will be able to deliver value-added service that transcends price.

Deposit pricing will initially be in the higher range of competition in order to fuel growth and preserve liquidity. Once stabilization has been achieved at the bank, the deposit pricing will be adjusted to reflect the middle of the competitive range.

D. Marketing Responsibilities

The **Bank of Saipan** will internally handle many marketing functions:

- New Business Development
- Sales-Producing Tools
- Direct Response Promotion
- Position and Identification
- Press Releases
- Advertisements
- Promotional Materials
- Brochures
- Marketing/Cross-Selling Training

Outside professional consultants will be used to address special marketing, advertising, print media and public relations issues and situations.

E. Distribution Channels

The **Bank of Saipan's** marketing plan is to provide financial services through two strategically located banking offices, on customer site, bank-by-mail, and electronic banking. The determining factors in choosing these channels are central access to markets and customer convenience which is balanced against facility costs. We also recognize the value of the image that the Bank projects to its customers in terms of quality and in the context of business banking.

Larger bank competitors use some of the same distribution channels but often with the advantage of a branch banking network and greater technology resources. The **Bank of Saipan's** mix of distribution channels, local ownership and community oriented decision making process will



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mitigate much of the larger competitors' advantages of a branch banking network when coupled with the highest level of customer service and one-to-one customer relationships.

The **Bank of Saipan's** small size will enable it to focus on quality service and be more responsive to customers than its larger competitors and will afford it certain advantages (e.g. speed and cost) in implementing new technology. Additionally, there is a current trend of the larger competitors dismantling their branch banking networks, reducing their delivery advantage while disrupting their customers.

**F. Direct Sales**

A significant part of the **Bank of Saipan's** sales will be handled through direct sales made by the Bank's employees all of whom will be business development oriented. This strategic marketing approach takes full advantage of the fact that these employees are already involved with parallel products and services.

Also, contacts will be generated through employee, advisory board, director and customer referrals as well as targeted direct mail efforts. We believe that direct sales from referrals will be an effective form of business development based upon the experience of the organizing members. Reward programs may be implemented to encourage referrals from these sources. Additionally, targeted direct mail supplemented with calling programs will be utilized to generate direct sales contacts.

**G. Retail Sales**

Retail sales will represent a significant focus for the **Bank of Saipan**. The distribution channels chosen provide advantages against the **Bank of Saipan's** competitors. Additionally, the **Bank of Saipan** will be very selective in targeting customers in order to allocate capital to the most profitable customer relationships.

Some retail sales programs, however, may be utilized for the **Bank of Saipan's** funding needs where it is beneficial from a asset/liability standpoint.

**H. Direct Response Mail**

The **Bank of Saipan** will explore the benefits of incremental, coordinated direct mail programs to generate business development contacts. This type of marketing would be tested on a small scale and increased as it improves its customer targeting ability.

By operating within these distribution channels in this manner, the **Bank of Saipan** can maintain control of its market. In addition, we believe that we can generate growth at a reasonable pace and obtain excellent sales and profitability results.

**I. Customer Service**



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The overriding marketing strategy is to deliver the highest quality customer service and develop a partnership with the customer. This element is important in today's financial service environment to distinguish the **Bank of Saipan** from its competitors. Customer satisfaction will build the loyalty necessary for the **Bank of Saipan** to transcend competitive price and to generate referrals.

The **Bank of Saipan's** size will provide significant advantages in delivering high quality customer service as compared to its larger competitors as it will be able to provide more personalized service. The **Bank of Saipan** will generally deliver its services to customers through a customer oriented banking team. Customers will have access to executives and a bank employee, knowledgeable about their business and will always be available to help them.

**J. Promotion And Advertising**

The **Bank of Saipan's** key to long-term success is building one-on-one customer relationships in order to grow through referrals. While the initial customer prospects will be referrals from officers and directors, the **Bank of Saipan's** actual promotion will come from its satisfied customers, especially its professional customers. The **Bank of Saipan's** promotional efforts will create opportunities for customers to provide referrals and promote the **Bank of Saipan**. Advertising will be done on a very selective basis, in addition to mass media, to support the **Bank of Saipan's** direct sales effort, target marketing and build customer loyalty.

**K. Promotional Objectives**

- To position the **Bank of Saipan** as a leading financial service provider to consumers, small business owners and professionals supporting the "quality, value and service" message;
- To increase the **Bank of Saipan's** awareness and brand name recognition among potential customers;
- To generate qualified sales leads and potential new customers;
- To reinforce loyalty with existing customers in order to cross-sell existing and private-labeled products; and
- To develop, through market research, significant information to create immediate and long-term marketing plans.

**L. Referral Requests**

The **Bank of Saipan's** employees will ask customers for referrals of qualified customer prospects and will promptly pursue referrals. Regular follow-up calls will be made on customers in order to create opportunities to generate referrals and cross-sales in addition to building loyalty.

Customers that provide referrals may be rewarded with small gifts or tickets to entertainment events. Those events will also be used as opportunities for "joint" direct sales efforts with customers and their referrals.

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**M. Joint Customer/Prospect Sales**

The Bank of Saipan will sponsor gatherings at community and entertainment events in which qualified customers and prospects are commingled in order to create opportunities for customers to promote the Bank to likely prospects. Those events may be, for example, receptions and educational events involving speakers.

**N. Strategic Alliances/Cross Marketing**

The Bank of Saipan will pursue cross marketing with lawyers and CPAs. These professionals share similar target markets with the Bank of Saipan and many valuable leads may come from this source.

**O. Seminars/Tech Groups**

Bank of Saipan will organize or co-sponsor seminars providing information on topics relevant to its customers and prospects and that parallel the Bank of Saipan's services. The Bank of Saipan will also facilitate group meetings where business owners can discuss issues and exchange ideas on issues facing their businesses.

**P. Corporate Capabilities Brochure**

To portray the Bank of Saipan as a leader in the small business and professional financial services market, the Bank of Saipan will develop a company capabilities brochure.

**Q. Sales Support Collateral Materials**

The Bank of Saipan will develop a variety of collateral materials to support its sales efforts. These items include:

- Product brochures
- Newsletters

**R. Advertising Media Objectives**

- Establish an image of the Bank of Saipan as a solid, community oriented banking organization that is professional, completely reliable, confidential and is the choice of successful small business owners and professionals; and
- Maximize efficiency in selection and scheduling of published ads in publications to cover the Bank's specific markets.

**S. Media Strategy**

- Select newspaper, trade and business publications with high specific market penetration of professionals and small business owners;

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- Schedule adequate frequency of ads to impact market with corporate image and product messages;
- Where possible, position advertising in or near articles and appropriate editorials about specialized small business owners' financial needs;
- Maximize ad life with monthly publications; and
- Active press release campaign.

The **Bank of Saipan** will develop an advertising campaign built around quality, value, and service, beginning with a "who we are" statement and supporting it with ads that reinforce the message. Additionally, we will develop a consistent reach and frequency throughout the year.

**T. Advertising Campaign**

The **Bank of Saipan** will reach its potential customers by developing a very targeted advertising campaign promoting its basic premise of quality, value and service through personalized banking to the small to medium size business and professional market.

To establish its company image, the advertising pieces will convey the look and feel of a company that believes in quality, value and service. The statements will be designed for follow up by direct sales effort.

**U. Public Relations**

The **Bank of Saipan's** publicity efforts will be intended to accomplish the following:

- Position the **Bank of Saipan** as the exceptional provider of quality financial services to the small business market.
- Increase the **Bank of Saipan** reputation and name and brand recognition among potential customers.

**V. Publicity Strategy**

The **Bank of Saipan** will focus on the following publicity strategies:

- Develop a sustained public relations effort, with ongoing contact between key editors and top level executives
- Develop a regular and consistent product update program for the target media, keeping key editors abreast of enhancements and new product introductions.
- Develop articles written by bank executives and officers to be placed in target trade and business publications.
- Establish contact with editorial staff for the purpose of being included in product "round-ups" (product comparisons in trade magazines where competing products are compared). This exposure builds credibility and market acceptance.

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- Develop a series of press releases on products and services, beginning with its opening.
- Prepare press releases for each new product introduction, technical development, participation in a major event, or achievements and recognition.
- Prepare press releases for successes in its community reinvestment and development programs.

**PART IV.**

**FINANCIAL PROJECTIONS AND BUDGETS**

[ATTACHED]

**PART V.**

**RESUMES**

[ATTACHED]

BANK OF SAIPAN  
PTO-FORMA BALANCE SHEET  
Months Ended the First Three Months After the Banks's Reopening

ASSETS	FY 2002 Nov-02	Month 1	Month 2	Month 3
TTL CASH & DUE FROM BANKS	5,390,652	6,553,474	5,176,435	5,786,694
TTL INVESTMENTS	<u>5,731,449</u>	<u>5,831,449</u>	<u>5,931,449</u>	<u>6,031,449</u>
TTL CASH, DUE FR BANKS & INVESTMENTS	11,122,102	12,384,923	11,107,884	11,818,143
LOANS BEFORE ALLOWANCE	33,458,826	26,180,866	26,002,906	23,824,946
TOTAL DEFERRED FEES	(238,970)	(236,870)	(234,770)	(232,670)
TTL PROV. FOR LOAN LOSS	<u>(9,812,750)</u>	<u>(3,312,750)</u>	<u>(3,312,750)</u>	<u>(3,312,750)</u>
TTL PROV LOAN LOSS & DEFERRED FEE	<u>(10,051,720)</u>	<u>(3,549,620)</u>	<u>(3,547,520)</u>	<u>(3,545,420)</u>
TTL NET LOANS	23,407,106	22,631,246	22,455,386	20,279,526
TOTAL FIXED ASSETS	494,889	475,346	455,803	436,260
TTL OTHER RE OWNED	550,170	550,170	550,170	550,170
TTL INT REC & OTHER ASSET	<u>3,720,468</u>	<u>3,509,674</u>	3,508,880	3,508,086
TOTAL ASSETS	<u>39,294,735</u>	<u>39,551,359</u>	<u>38,078,123</u>	<u>36,592,185</u>
LIABILITIES AND STOCKHOLDERS' EQUITY				
TTL DEMAND DEPOSITS	4,296,446	5,174,838	5,253,234	5,331,630
TTL SAVINGS DEPOSITS	7,696,954	6,712,106	6,327,259	5,942,411
TTL TCDs	<u>25,315,363</u>	<u>22,149,595</u>	<u>20,983,826</u>	<u>19,818,058</u>
TOTAL DEPOSITS	37,308,763	34,036,539	32,564,319	31,092,099
TTL OTH LIABILITES IN TRUST	0	2,800,000	2,800,000	2,800,000
TTL ACCRUED INT PAYABLE	230,781	268,306	266,594	264,881
TTL TAXES PAYABLE	17,987	24,253	30,509	36,333
TOTAL VARIOUS PAYABLE	<u>3,374,028</u>	<u>277,032</u>	<u>280,032</u>	<u>283,032</u>
TOTAL LIABILITIES	41,141,558	37,406,130	35,941,454	34,476,345
TOTAL STOCKHOLDERS' EQUITY	<u>(1,846,824)</u>	<u>2,145,229</u>	<u>2,136,660</u>	<u>2,115,840</u>
TOTAL LIAB & CAPITAL	<u>39,294,735</u>	<u>39,551,359</u>	<u>38,078,123</u>	<u>36,592,185</u>

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PRO-FORMA INCOME STATEMENT  
First Three Months After the Banks' Re-Opening

	Month 1	Month 2	Month 3	3 Month TOTAL
INCOME:				
TTL INVESTMENT INCOME	8,060	8,060	8,060	24,180
TTL INT INC - LOANS	196,356	195,022	178,687	570,065
TOTAL INT INCOME	204,416	203,082	186,747	594,245
TOTAL LOAN FEES	6,600	6,600	6,600	19,800
TOTAL DEPOSIT INCOME	-	-	1,000	1,000
TOTAL OTHER INCOME	4,555	5,555	6,475	16,585
TOTAL INCOME	215,571	215,237	200,822	631,630
TTL INT. EXP-DDA	4,245	4,311	4,376	12,932
TTL INT. EXP-SAVINGS	5,593	5,273	4,952	15,818
TTL INT. EXP-C/D'S	27,687	26,230	24,773	78,689
TOTAL INT EXPENSE	37,525	35,813	34,101	107,440
INCOME NET OF INTEREST EXPENSE	178,046	179,424	166,721	524,191
TTL SAL & BENEFIT	61,311	63,311	63,311	187,933
TTL OCCUPANCY EXPENSE	13,835	13,835	13,835	41,505
TTL TAXES & LICENSES	6,466	6,456	6,024	18,946
TTL PROFESSIONAL FEE EXP	14,150	14,150	14,150	42,450
TOTAL FIESTA EXPENSE & AT	50	50	50	150
TOTAL F/F/E EXPENSES	2,950	2,950	2,950	8,850
TOTAL OFFICE SUPPLIES	1,440	1,440	1,440	4,320
TTL OTHER EXPENSES	23,894	23,894	23,894	71,682
TOTAL NON-INT EXP	124,096	126,086	125,654	375,836
INCOME BEF DEPR'N, AMORT'N & PROV FOR LOAN LOSS	53,950	53,337	41,068	148,355
TTL DEPRN, AMORT & PROVIS	19,543	19,543	19,543	58,629
INCOME BEF RECEIVER EXPENSE	34,407	33,794	21,525	89,726
TTL RECEIVER EXPENSES	42,364	42,364	42,354	127,062
NET INCOME	(7,947)	(8,560)	(20,829)	(37,336)

**The Andela Consulting Group, Inc.**

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The Andela Consulting Group, Inc. ("Andela Consulting"), managed by Thomas A. Tarter, primarily engages in Business Reorganization Consulting, Financial Restructuring, and Expert Witness/Litigation Support. Andela Consulting has provided business reorganization, management and financial advise to numerous businesses. With more than thirty years experience as a banker and a consultant, Mr. Tarter brings to Andela Consulting extensive knowledge on how banks and related financial institutions operate. Andela Consulting has been involved in many matters which include: banking, cash controls and management; checking accounts, real estate lending including residential land acquisition, development and construction loans; commercial lending; corporate lending; credit cards; lender liability issues; letters of credit; loan commitments; bank and guaranty demands; consumer loans and shareholder and insider business and loan transactions.

Andela Consulting was formed in 1993 and since that time its associates have worked with many types of clients in a variety of areas. These include: (i) Sunshine Makers, Inc. d/b/a Simple Green to provide turnaround management and financial restructuring advise; (ii) Marin Outdoor, appointed as a director in connection with its financial restructuring and Chapter 11 proceedings; (iii) Oswell Self Storage to provide turnaround management and advisory services to a Chapter 11 debtor; (iv) A California Bank to provide litigation consultation regarding lending industry customs, standards and practices involving loan commitments; (v) Monarch Bank to provide expert testimony and litigation consultation regarding bank depository and IRA accounts; (vi) A large Nevada Real Estate Development Company to provide turnaround management and financial advise; (vii) Advanta National Bank to provide expert testimony and litigation consultation regarding credit card collection practices pertaining to business related credit card usage; (viii) A cosmetics company for trade debt renegotiation; (ix) A Viatical Service Company to provide expert testimony and litigation consultation regarding asset-based lending industry customs, standards and practices and lender liability issues; (x) A Financial Institution to provide expert testimony and litigation consultation regarding real estate loan restructuring, construction and permanent lending; (xi) Ford Motor Credit Corporation to provide expert testimony and litigation consultation regarding lender liability, collateral protection and creditor disclosure involving an energy production project; (xii) Developed a cash management and control system for multiple inter-related Chapter 11 debtors operating in several states including Hawaii; and (xiii) Developed business and marketing plans for a troubled bank.

Since 1993, Andela Consulting has provided business management and financial consulting services involving: (i) banking, (ii) corporate boards, (iii) banking, real estate and corporate finance, (iv) business reorganization, and (v) turnaround management services. The consulting and expert witness services of Andela Consulting involve the areas of: (i) Management – Interim & Turnaround; (ii) Expert Referral Network; (iii) Interest Rate Opinions; (iv) Business, loan and bankruptcy plan feasibility analysis – Operational & Financial; (v) Board of Directors – Membership & Consultation; and (vi) Debt & Equity Restructuring.



**THOMAS A. TARTER**  
**CURRICULUM VITAE**  
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**EDUCATION:**

University of California at Los Angeles, Bachelor of Science degree in Business, 1965.

Santa Clara University, Master of Business Administration degree with a specialization in Finance, 1969

**LECTURER:**

Mr. Tarter has been an instructor, panelist and guest lecturer for several professional organizations and institutions of higher education, including the following:

American Institute of Banking  
American Management Association  
Los Angeles City College  
United States Small Business Administration  
University of Southern California  
International Council of Shopping Centers  
International Institute of Business and Banking  
Orange County Bankruptcy Forum  
Los Angeles Chapter of the American Society of Appraisers  
Southern California Chapter of the Appraisal Institute

**PROFESSIONAL EXPERIENCE:**

September 1993 – Present

**The Andela Consulting Group, Inc.,** Managing Director

Specializes in providing management, financial and advisory services involving corporate governance, management, compensation, financial and banking matters. Mr. Tarter has served on boards, assisted in corporate restructures and has provided advisory services to a diverse group of clients including corporations, law firms, financial institutions and governmental agencies including the United States Small Business Administration.

Thomas A. Tarter CV

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October 1985 – August 1993

**First Los Angeles Bank**, Executive Vice President, Member of Officers Loan Committee

During his association with First Los Angeles Bank, Mr. Tarter was responsible for supervising the bank's largest banking region and was involved in developing compensation and incentive programs, asset/liability management, development of policies and procedures and strategic planning. Additional responsibilities included marketing, public relations, mergers, acquisitions, the development of non-traditional banking businesses such as mortgage banking division and an SBA loan department.

November 1984 – September 1985

**Center National Bank**, Director, President and Chief Executive Officer

Recruited to administer a troubled financial institution. Developed programs to implement regulatory requirements and to constrict the bank's assets to adhere to capital constraints. Developed and implemented policies and procedures involving credit administration and personnel including compensation, termination, staff curtailment and recruitment.

January 1980 – October 1984

**Bank of Los Angeles**, Organizer, Founding Director, President and Chief Executive Officer

Responsible for organization and completion of two stock offerings, initial (1982) and secondary (1984), both of which were over subscribed. Responsible for the initial and ongoing organization of the bank as well as supervising its operations and growth. Negotiated the acquisition of the American City Bank - Beverly Hills from the Federal Deposit Insurance Corporation. Developed and implemented policies and procedures including compensation, personnel, credit and audit.

1977 – 1980

**First Los Angeles Bank**, Regional Vice President and member of the bank's Officers Loan Committee

1976 – 1977

**Sanwa Bank of California**, Vice President and Senior Credit Officer for Southern California and Member of Loan Committee

Responsible for administering the bank's loan portfolio in Southern California including the implementation of policies, procedures and controls to monitor the bank's corporate, real estate and consumer loan activities.

Thomas A. Tarter CV  
Page 3

1969 – 1975

**Lloyds Bank California**, Vice President, Corporate and California Divisions

Responsible for the administration and development of major corporate relationships. Developed new lending programs including acceptance and SBA financing.

Additionally, Mr. Tarter was a founding organizer of Hancock Savings Bank. He shared responsibility for its formation and organization. He also co-organized and coordinated its initial stock offering.

### **TESTIMONY:**

Mr. Tarter has provided expert testimony at deposition and trial in municipal, state and federal courts as well as at arbitration.

Litigation consultation clients have included: Mobil Oil Corporation, Ford Motor Credit Corporation, Republic Bank, Sanwa Bank, Citicorp, Deutsche Bank, Wells Fargo Bank, City of Oxnard, United States Small Business Administration, as well as individuals, partnerships and businesses.

### **BOARD MEMBERSHIPS AND BUSINESS AFFILIATIONS HAVE INCLUDED:**

Western States Bankcard Association  
Sunshine Makers, Inc. d/b/a Simple Green  
Fort Ord Credit Union  
Holiday World RV  
Marin Outdoor (Bankruptcy related directorship)  
First Alliance Mortgage Company (Appointed during bankruptcy proceedings)  
American Standard Development Company, Inc.  
BKLA Bancorp  
Center Financial  
Los Angeles Bankruptcy Forum  
Los Angeles Business Council, member of Executive Committee  
Loyola Marymount University Fine Arts/Film School Council  
Los Angeles Free Net, Inc. (Internet)

### **MEDIATOR:**

Mr. Tarter has been appointed by the United States Bankruptcy Court – Central District of California to its panel of mediators.

Addendum to CV of Thomas A. Tarter

Qualifications: My background involves experience with large and small banks. Lloyds Bank California, Sanwa Bank of California and First Los Angeles Bank were subsidiaries of very large banks. At Sanwa Bank and First Los Angeles Bank, I was involved in evaluating potential acquisitions that involved "healthy" and "distressed" banks. At First Los Angeles Bank, I was also involved in the purchase of loans from the F.D.I.C. and the sale of non-performing loans.

I was also involved in the formation of a savings bank and a commercial bank that were located in Los Angeles, California. While I did not serve on the board of directors of the savings bank, I provided advice involving staffing, capital and regulatory issues to directors and senior management. I was involved in the formation of a commercial bank - Bank of Los Angeles. At the Bank of Los Angeles, I was involved in the acquisition of another bank that was closed by state and federal regulators, purchased loans from the FDIC and the RTC. Issues involved in the acquisition included: deposit retention, deposit withdrawal requests, possible run on deposits, liquidity, borrower loan defaults and lender liability claims, performing and non-performing loans. It was a complicated process that worked out positively because well-defined business and strategic plans were quickly developed and implemented.

I was also approved by regulatory agencies to serve as the chief executive officer of a financially troubled bank, Center National Bank. This assignment resulted in the identification of significant additional problems within the bank that prior to my employment had not been discovered by either the bank's independent auditors or by the regulators. My duties included: Securities and Exchange Commission disclosures, valuation of the loan portfolio, amendment of financial reports, the sale of loans, shrinkage of deposits, capital infusion and implementation of new policies, procedures and controls.

Subsequent to filing for bankruptcy protection, I was approved and appointed with the concurrence of the board of directors, creditors and court to the board of directors of a public, SEC reporting financial services company and served during bankruptcy proceedings as its Audit Committee, Chair. That company is in a liquidating Chapter 11 proceeding. I was also appointed to serve during its reorganization on the board of directors of a regional retail company.

I have served as an advisor to various financial institutions.

I have also been appointed to the panel of mediators by the United States Bankruptcy Court for the Central District of California.

## Thomas P. Michels, CPA

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Home: (671) 649-6578

Cell: (671) 688-5801

Email: [tmichles@ite.net](mailto:tmichles@ite.net)

### Resume

1996 to 2002

**Bank of Hawaii**  
**Guam Country Manager**

Vice President and Guam Country Manager for the Bank of Hawaii, a \$15 billion regional bank based in Hawaii with operations in Hawaii, the U.S. mainland, Asia, Australia and the West and South Pacific. Responsible for all aspects of the bank's operations in Guam which include ten branches and a \$800 million loan portfolio.

1994 to 1996

**U.S. Souvenir, Inc.**  
**Chief Operating Officer**

Chief Operating Officer for this Hawaii based holding company with investments in manufacturing, wholesale and distribution businesses operating in Hawaii and the Pacific Rim. In addition to typical responsibilities associated with the COO position, was assigned the responsibility of negotiating the sale of the company's investments once the decision to divest in their Hawaii investments was made by the owners, John Hancock Capital Growth Funds.

1984 to 1994

**First Savings and Loan Association of America**  
**President**

Reported directly to the Board of Directors and had responsibilities for the Association's performance and annual profitability. Responsibilities included managing the Association's business activities, credit approvals and regulatory compliance and reporting. Tripled the asset size while maintaining exemplary financial performance and superior asset quality. The Association's financial performance when compared with industry averages and peer group was very high and had outstanding regulatory examination ratings.

1981 to 1984

**Robert Reimers Enterprises  
Controller**

Managed the entire accounting and finance functions of this family owned holding company which included wholesale and retail business, automotive dealership, commercial real estate holdings and commercial shipping owner and agency.

1978 to 1981

**Peat, Marwick, and Mitchell Company  
Senior Accountant**

Certified Public Accountant, audit staff. In-Charge responsibilities in utilities, governmental, financial services, automotive, wholesale and retail industries.

Education

**BS - Accounting**

**St. Johns University  
Collegeville, Minnesota**

Community and  
Professional

Board of Directors of the Guam Chamber of Commerce for six years. Positions held include Chairman of the Board, Chairman of the Armed Forces Committee and Executive Committee member for four years.

President, Guam Bankers Association

Co-Chair of the Andersen Air Force Base Civilian Advisory Council

Current board member: Territorial Banking Board; Guam Captive Insurance Association, Guam Employers Council, U.S. Navy League, U.S. Air Force Association,

Prior board member: American Red Cross; Rotary International; Guam Gamefish Association; various condominium associations

Membership: American Institute of Certified Public Accountants; Rotary International

International Gamefish Association - Representative